

CITY OF APLINGTON, IOWA
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

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City of Aplington, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jason Mehmen	Mayor	Jan 2016
Jerry Orr	Mayor, Pro-Tem	Jan 2018
Alan Meyer	Council Member	Jan 2016
Steve Uhlenhopp	Council Member	Jan 2016
Jeff Ridder	Council Member	Jan 2018
Randy Ubben	Council Member	Jan 2018
Deb Prier	Clerk/Treasurer	Indefinite
Greg Lievens	Attorney	Indefinite

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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of Aplington pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Aplington for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed general obligation bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Aplington, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Aplington, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Aplington and other parties to whom the City of Aplington may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Aplington during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

May 28, 2014

Detailed Recommendations

City of Aplington, Iowa

Detailed Recommendations

For the Period July 1, 2012 through June 30, 2013

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Utility Rates – Water and sewer rates were properly increased by ordinance during the current fiscal year. However, the minimum charge was entered in the billing system incorrectly by 30 cents when the rates were updated.

Recommendation – Procedures should be established to insure that when new rates are established, the proper amount is entered in the billing system. We noted that the rates were corrected with a software update in the next fiscal year.

- (C) Deposits and Investments – A resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa, but the dollar amount is not sufficient to cover the cash on hand. Also, a copy of the City's investment policy could not be located.

Recommendation – The City Council should revise its' depository resolution to include a sufficient dollar amount. Also, the City Council should adopt an investment policy.

City of Aplington, Iowa

Detailed Recommendations

For the Period July 1, 2012 through June 30, 2013

- (D) Bank Reconciliation – We noted that the bank reconciliation did not trace to the trial balance for any of the months during the examination. In addition, the bank reconciliation are not independently reviewed.

Recommendation – The City should insure that the bank reconciliation reconciles to the trial balance. We noted that personnel had inquired of the former software company for assistance in accomplishing this, to no avail. The bank is now reconciled with a new software update. In addition, an independent person should review the bank reconciliation and document their review by signing or initialing the reconciliation.

- (E) Financial Condition - We noted that there were two funds in a deficit position at June 30, 2013; Street Assessment Fund and the Capital Project Fund.

Recommendation – The City should investigate alternatives to return these funds to a sound financial position.

- (F) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the business type activity function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (G) Tax Increment Financing – The balance in the Special Revenue, TIF fund was in excess of the outstanding TIF indebtedness as of June 30, 2013. It was also noted that one expenditure was made without being certified to the county as TIF debt prior to payment. Furthermore, the City should have filed form 3 to then decertify this debt as there is excess funds on hand.

Recommendation – The City should review it's procedures it insure they are properly certifying and decertifying the debt with the county. It was noted that there is a TIF eligible capital project planned for the subsequent fiscal year, for which the City plans utilizing these excess funds.

City of Aplington, Iowa

Detailed Recommendations

For the Period July 1, 2012 through June 30, 2013

- (H) Annual Urban Renewal Report (AURR) – The amount reported as TIF debt outstanding on the AURR Levy Authority Summary did not agree with the City's records. This is due to the fact that an economic development grant was listed on the AURR as outstanding debt.

Recommendation – The City should review their AURR to determine if this economic development grant should be listed as outstanding debt.